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Hawaii Attorney General Opposes Effort to Prevent SEC From Requiring Fraudulent Actors to Return Profits

HONOLULU – Hawaii Attorney General Clare E. Connors today joined a bipartisan coalition of 24 attorneys general led by Illinois Attorney General Kwame Raoul in filing an amicus brief with the Supreme Court arguing that the Securities and Exchange Commission (SEC) should be allowed to ask courts to require defendants to return money obtained by defrauding investors.

The brief, filed in *Liu v. Securities and Exchange Commission*, argues that disgorgement is critical to redressing harm and deterring future misconduct. Restricting the SEC from seeking this remedy in its enforcement efforts will harm investors, lead to unfair and dysfunctional securities markets, and embolden wrongdoers.

“Requiring those who commit fraud to give up profits is a common-sense remedy,” said Attorney General Connors. “Disgorgement provides some measure of relief to the victims and the public should know that bad actors will not keep money they get from engaging in fraud.”

Requiring bad actors to return profits, a process known as disgorgement, is one of the surest ways to restore losses to those who have been harmed by fraudulent actions. In fiscal year 2019, fraudulent actors were ordered to repay more than \$3.2 billion in enforcement actions brought by the SEC. Additionally, requiring wrongdoers to return their profits deters future misconduct and promotes confidence in securities markets. Through disgorgement, states and the SEC are able to provide relief to victims of Ponzi schemes and other scams often sold to investors.

In the brief, Attorney General Connors and the coalition argue that preventing the SEC from using disgorgement in court actions would permit bad actors to keep their ill-gotten gains and perpetuate their scams. Without disgorgement, wrongdoers have little incentive to stop violating securities laws. As a result, investors may lose confidence in the markets.

Joining Attorneys General Raoul and Connors in submitting the brief are the attorneys general of Alaska, Colorado, Connecticut, Delaware, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Vermont, Virginia, Washington, and the District of Columbia.

A copy of the amicus brief can be found [here](#).

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